

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1201 - HB 1760

March 24, 2009

SUMMARY OF BILL: Expands circumstances disqualifying an individual to receive unemployment compensation to include discharge for dishonesty constituting a felony or any Class A misdemeanor and failure to return a prospective employer's telephone calls. Broadens definition of conduct constituting fraud in connection with unemployment benefits to include additional actions and misconduct. Imposes civil penalty of an amount equal to any overpayment of benefits resulting from fraud or withholding of material information. The civil penalty is paid to the Employment Security Division of the Department of Labor and Workforce Development to defray the costs of enforcement. Requires hearing officer, Appeals Tribunal, and Board of Review to consider all relevant employer documentation, including personnel files, separation notices, and other material germane to employment.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$2,560,000/Recurring

**Increase State Expenditures - \$288,500/One-Time
\$1,105,400/Recurring**

Assumptions:

- Payments wrongfully obtained through fraud or other misconduct will be partially recouped. According to the Department of Labor and Workforce Development, approximately \$6,400,000 was overpaid in 2008 due to fraud or misconduct covered by this bill. No additional overpayments will be claimed. Civil penalties will be assessed in the amount of \$6,400,000. According to the Department, approximately 40 percent of civil penalties will be recovered, totaling \$2,560,000 (40% x \$6,400,000 = \$2,560,000).
- The increase in state revenue from civil penalties assessed will be transferred to the general fund from the Unemployment Insurance Trust Fund for enforcement of the bill.
- The Department will incur one-time costs for computer programming changes in the amount of \$270,000, one-time training costs in the

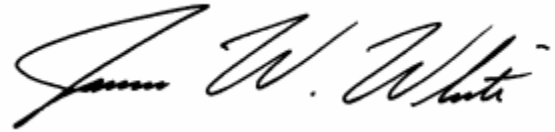
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amount of \$15,000, and one-time costs to re-produce 347 Employment Security manuals in the amount of \$3,470. Total one-time costs will be \$288,470.

- The Department will incur recurring costs for 23 additional positions. The positions include hearing officers, program specialists, employment security interviewers, unemployment claims adjudicators, clerks, and secretaries. The total cost of these positions including benefits is \$1,105,424.
- No additional incarceration costs from converting the existing Class E felony for fraud to theft gradable by the amount of fraudulent overpayment.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

/jww